



WEEKLY ECONOMIC DIGEST

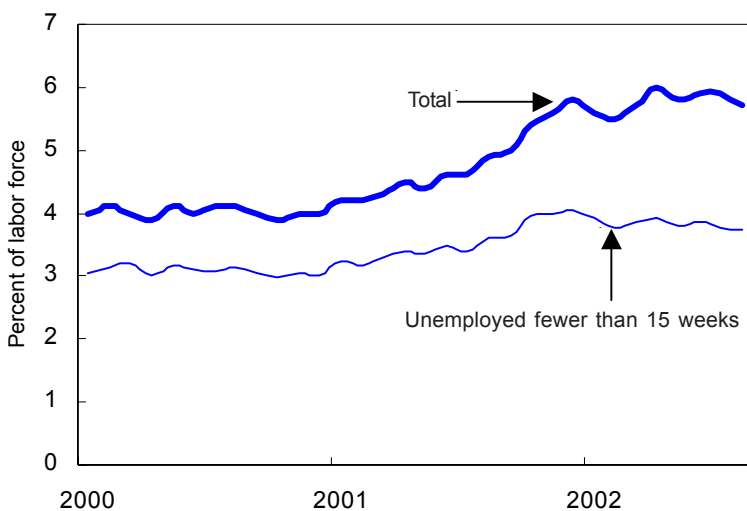


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

September 10, 2002

Weakness in Employment Persists

Unemployment Rate by Duration

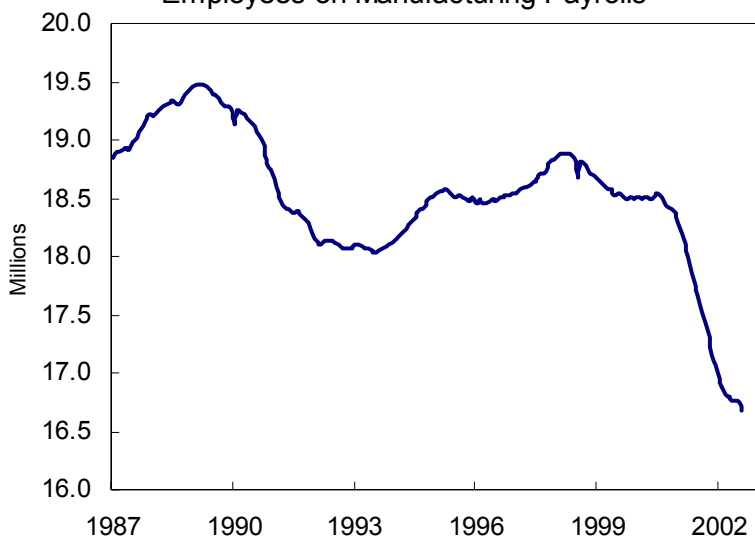


Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Unemployment was little changed in August.** The civilian unemployment rate fell slightly to 5.7 percent last month. Financial markets had expected the unemployment rate to rise to 6 percent. Nevertheless, August's decline of 0.15 percentage points was statistically insignificant. For the most part, that decline reflected a small drop in the unemployment rate for those who had re-entered the labor force in August. Indeed, the number of people who lost their jobs (not including those on temporary layoff) rose slightly last month. Additionally, long-term unemployment (15 weeks and longer) remained well above the levels of last year.

- **Payroll employment inched up, buoyed by growth in government jobs.** The number of employees on nonfarm payrolls rose by 39,000 last month, following a gain of 67,000 in July. The small August rise reflected an increase of 41,000 government jobs. Private payrolls declined by 2,000 jobs in August, after climbing by 47,000 in July.

Employees on Manufacturing Payrolls



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Manufacturing continued to lose jobs.** Factory payrolls shrank for the 25th consecutive month, falling by 68,000 jobs in August. Since the start of 2001, manufacturing has shed nearly 1.7 million jobs. The number of establishments expecting to increase payrolls anytime soon was lower last month than it was in July.

- **Factory orders for capital goods rose in July but may have weakened in August.** New orders for nondefense capital goods excluding aircraft—a leading indicator of capital spending by businesses—surged by 8.8 percent in July. That gain followed a 6.3 percent decline in June. However, factory orders may have weakened in August, according to a survey of purchasing managers conducted by the Institute for Supply Management: fewer than half of those surveyed reported increased orders last month.

Economy At A Glance	Aug	Jul	Jun	May	2002 Qtr 2	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001	2000
Economic Activity										
Real GDP (% growth)					1.1	5.0	2.7	-0.3	0.3	3.8
Industrial Production (% growth)		2.4	8.7	6.2	4.4	2.6	-6.7	-4.7	-3.9	4.5
Capacity Utilization (Level, %)		76.1	76.0	75.6	75.6	75.0	74.7	76.2	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.7	5.9	5.9	5.8	5.9	5.6	5.6	4.8	4.8	4.0
Housing Starts (Thousands)		1649	1695	1742	1668	1725	1573	1603	1603	1573
Real Disposable Personal Income (% growth)		0.0	7.4	6.2	3.7	14.6	-7.6	10.5	1.8	4.8
Retail Sales (% growth)*		15.0	18.3	-11.6	4.3	-2.5	12.9	-1.0	3.8	6.7
Personal Saving Rate (Level, %)		3.4	4.2	4.0	3.9	3.5	0.8	4.0	2.3	2.8
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		1.2	1.2	0.0	3.4	1.4	-0.3	0.7	2.8	3.4
Core CPI-U Inflation (% growth)		2.4	1.2	2.4	2.2	2.3	2.7	2.7	2.7	2.4
Compensation per Hour (% growth)					4.4	3.6	4.2	3.7	4.1	4.5
Output per Hour (% growth)					1.5	8.6	7.3	2.1	1.1	2.9
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.6	1.7	1.7	1.7	1.7	1.7	1.9	3.2	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.3	4.7	4.9	5.2	5.1	5.1	4.8	5.0	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.8	1.8	1.8	1.7	2.1	3.5	3.9	6.2
Dow Jones Industrial Avg (Index Level)	8685	8617	9492	10080	9913	10105	9641	9934	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **U.S. International Transactions, Second Quarter** [Release: Thursday, September 12, 2002]
- **Import and Export Price Indexes, August** [Release: Thursday, September 12, 2002]
- **Producer Price Index, August** [Release: Friday, September 13, 2002]
- **Retail Sales, August** [Release: Friday, September 13, 2002]